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UNCLAS SECTION 01 OF 02 PRETORIA 000847

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DEPT FOR AF/S KGAITHER; AF/EPS; EB/TPP/BTA
USDOC FOR 4510/ITA/IEP/ANESA/OA/JDIEMOND
TREASURY FOR OWHYCHE-SHAW AND BRESNICK
DEPT PASS USTR FOR PCOLEMAN, WJACKSON AND DDWOSKIN
GENEVA FOR USTR

E.O. 12958: N/A

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SUBJECT: DTI DISCUSSES DOHA WITH COMMERCE DAS VINEYARD

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11. (SBU) Summary. Commerce DAS Holly Vineyard met with Department of Trade and Industry (DTI) officials on February 18. There is more interest now by South Africa in taking advantage of the category 9 provisions of AGOA that allow duty-free import of certain handloomed, handmade and folkloric items into the United States. Negotiations with India for a trade agreement may commence in the third quarter. Vineyard noted continuing U.S. concerns on IPR protection. South Africa is optimistic on the prospects for success on the Doha Development Agenda. Xavier Carim was "quite pleased" with a recent proposal by then USTR Ambassador Zoellick regarding the coefficients in the modalities for agriculture negotiations. The bureaucratic process is one reason why South Africa has not yet submitted its own services offer, although the Finance Minister has signed off on financial services sector offer. South Africa has still not taken an official position on the various candidates for the WTO Director General position, but sees resolution of this process as necessary for progress in Hong Kong at the end of the year. End summary.

12. (SBU) Commerce DAS Holly Vineyard met with Department of Trade and Industry (DTI) officials Sudhir Sooklal and Thabo Chauke on February 18 to discuss AGOA, IPR, and the Doha Development Agenda. Sooklal noted that Chief Director Xavier Carim and Head of the Americas Desk Victor Mashebela were not able to attend. They had to go to a SACU meeting in Namibia where there would be a discussion about AUSTR Florie Liser's invitation to a March 18 Deputies meeting in Geneva on the FTA.

13. (SBU) Sooklal also mentioned that Chief Director Iqbal Sharma had just returned from India in which SACU and India had agreed on a framework for negotiations of a trade agreement that would probably start out as a Preferential Trade Agreement but could eventually become a Free Trade Agreement. Negotiations with India may begin in the third quarter of this year. Phase one of the negotiations would deal with goods and TBTs, while services would be left for phase two.

AGOA

14. (SBU) DAS Vineyard opened the meeting indicating that Senegal would host the next AGOA Forum, probably in July, and solicited South Africa's active participation and input. Sooklal agreed on the importance of the AGOA forum and said he would put it on Minister Mpahlwa's radar screen.

15. (SBU) Sooklal noted that there had recently been renewed interest in the category 9 provisions of AGOA that allow for duty-free importation into the United States of certain handloomed, handmade and folkloric articles. He explained that SMEs had not been organized when AGOA was first implemented, with only a few firms showing interest, but this has changed. DTI would be working with the Chamber of Business to see how South Africa firms might take advantage of category 9, particularly given the more liberal provisions provided by subsequent legislation amending AGOA. Chauke was hopeful that the process would begin in March. Vineyard offered assistance in liaising with the Commerce Department experts on AGOA category 9 items.

IPR

16. (SBU) DAS Vineyard underlined the U.S. interest in improving IPR protection in South Africa, noting the STOP (Strategy Targeting Organized Piracy) program to stop trade in pirated and counterfeit goods and the current Special 301 process.

Doha Development Agenda

17. (SBU) A discussion of the Doha Development Agenda was the main focus of the meeting. DAS Vineyard reiterated U.S. views and its commitment to a successful outcome. Sooklal, who had clearly been briefed by Xavier Carim, made several points on the Doha Development Agenda. He said that South Africa is extremely committed to a successful conclusion of the Doha Development Agenda, which is also important for NEPAD and the AU. South Africa feels confident that there is an opportunity to deliver tangible results

Services

18. (SBU) There is concern about the slow pace of services. South Africa has itself been embarrassingly slow on services and has not yet tabled its services offer, which he attributed to bureaucratic delays, including the Permanent Trade Forum, a consultation mechanism established in 2003, and other departments, such as Justice, that do not have a full appreciation of the WTO agreements. DTI bears some of the blame for not doing an adequate marketing job, in part due to capacity constraints. DTI's Director General will host the inaugural meeting of the Permanent Trade Forum next month with all the DGs from other departments participating. The only exception so far to the slow progress on the SAG's services offer is that Minister of Finance Trevor Manuel has signed off on South Africa's financial services offer. The cabinet has prioritized services since January 2004. The government has commissioned the HSRC (Human Sciences Research Council) to do research on services, which was supposed to be completed in January 2005. The second phase of the work will involve research on specific sectors.

Agriculture

19. (SBU) South Africa was pleased with the agreement to phase out export subsidies but was concerned about the EU's new scheme for wheat exports, which is not conducive to the negotiation. Sooklal said Carim was "quite pleased" and "quite positive" about a proposal Ambassador Zoellick had made recently in Davos regarding modalities on agriculture that involves two different coefficients for the formula. South Africa saw this as a step forward.

Trade Facilitation

110. (SBU) While everyone is happy about having trade facilitation in the negotiations, the "how" is the difficult part, especially as it may place burdens on LDCs. It is a good thing, but implementation and financing will be issues.

NAMA (Non-Agricultural Market Access)

111. (SBU) The next stage is now deciding on which formula to use. Sooklal said there is a current understanding about using the same Swiss formula as in the Uruguay Round, but there are questions about the coefficients to be used by developed countries, developing countries, and LDCs.

WTO Director General

112. (SBU) A timely election of the next WTO DG is essential for success in Hong Kong. South Africa wants to avoid a replay of the Moore-Supachai DG succession imbroglio four years ago. South Africa has not yet taken an official position on the DG candidates. Given the African group's support for Minister Cuttarree of Mauritius, South Africa could fall in line with that. South Africa's Department of Foreign Affairs is also interested in this issue. So far, however, the DTI Minister has not given any direction on which candidate South Africa would support. For example, because of the IBSA (India, Brazil, South Africa) Forum, there could be support for the Brazilian candidate, Ambassador Seixas Correa. In the meantime, Pascal Lamy will be in South Africa the week of February 22 to advance his candidacy.

113. (SBU) Overall, South Africa is optimistic that there can be a successful outcome on Doha, but a lot of substance remains to be done between now and July, and by December in Honk Kong.

114. (U) Commerce DAS Holly Vineyard cleared this cable.

FRAZER